

Service Date: June 2, 2003

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER OF ENERGY WEST	)	UTILITY DIVISION
MONTANA, Application for Approval of	)	
Increased Rates for Natural Gas Service	)	DOCKET NO. D2002.9.120
in the Great Falls Area	)	
	)	ORDER NO. 6445c

\* \* \* \* \*

STIPULATED FINAL ORDER

FINDINGS OF FACT

1. On September 24, 2002, Energy West Montana (EWM) filed an application with the Public Service Commission (PSC) for a general rate increase for natural gas services in the amount of \$1,340,039. In addition EWM requested interim relief in the full amount of the requested \$1,340,039. This application only affects the customers served on the distribution system in and around Great Falls, including the communities of Ulm, Black Eagle and the unincorporated portions of Cascade County connected to the distribution system.

2. In its filing EWM seeks to increase rates and charges to all customers by 6.44 percent. This percentage increase will not only apply to all customers but additionally to all commodity charges, with the exception of negotiated contracts that are subject to bypass. EWM stated that the increase is related to inflationary influences on the company's cost of doing business. EWM said its primary cost increases are in the areas of liability insurance and collections. Since September 11, 2001, EWM's insurance costs have increased by 36 percent. EWM's last general rate filing was in 1996.

3. Presently, in compliance with the Uniform System Benefits Charge (USBC), EWM makes a surcharge to Energy Share of Montana, a surcharge for the No Interest Loan Plan, a surcharge for the Furnace Efficiency Program, and the Low-Income discount. EWM proposes rolling all of the USBC programs together into a single surcharge, which would be used to fund the various current programs and future programs. The total surcharge, according to EWM, is

approximately the same as the sum of the current programs and meets the legislative requirements of the USBC.

4. This application will result in the following impact on the respective rate classes as shown below:

Customer Class	Percent Increase	Number of Customers	Estimated Annual Bill Impact
Residential Service	6.79%	23,124	\$ 36
Small General Service	6.79%	1846	\$ 67
Medium General Service	6.79%	0	\$ 0
Large General Service	6.79%	697	\$ 436
Extended General Service	6.79%	10	\$4,384
Transportation Residential	6.79%	34	\$ 22
Transportation Small GS	6.79%	35	\$ 37
Transportation Large GS	6.79%	55	\$ 350
Transportation Extended GS	6.79%	9	\$1,775
Neg. Cont. Transportation	0%	20	\$ 0

5. The week of November 18, 2002, staff from both the Montana Consumer Counsel (MCC) and the PSC conducted an on site review of EWM's application. As a result of that review EWM became aware of certain errors in its calculations. In an effort to avoid downward adjustments to EWM's interim rates, EWM submitted on November 27, 2002 an amended application for interim approval.

6. In its amended application EWM requested approval to increase its revenues by 2.88 percent overall. Because this increase is not being applicable to negotiated customers who have bypass alternatives, the percentage increase, as claimed by EWM, is now 3.04 percent to all other classes. The amended interim application will result in an increase in annual revenue over approved rates in the amount of \$600,000. This increase would result in the following impact on the respective classes as shown below:

Customer Class	Percent Increase	Number of Customers	Estimated Annual Bill Impact
Residential Service	3.04%	23,124	\$16
Small General Service	3.04%	1846	\$ 395.15
Medium General Service	3.04%	0	\$ 0
Large General Service	3.04%	697	\$ 2,556.00
Extended General Service	3.04%	10	\$25,395.00
Transportation Residential	3.04%	34	\$ 61.75
Transportation Small GS	3.04%	35	\$ 217.55
Transportation Large GS	3.04%	55	\$ 2060.00
Transportation Extended GS	3.04%	9	\$10,437.00
Neg. Cont. Transportation	0%	20	\$ 0

7. On December 10, 2002, in Amended Interim Order 6445b the PSC found, for interim purposes only, the amended proposed interim increases in rate schedules, with the exception of the MAFB and Refinery rates, to be fair, just and reasonable.

8. On December 19, 2002, EWM requested PSC approval to suspend the procedural order. EWM gave as a reason that MCC, the only intervener, and EWM were optimistic that a formal agreement may be reached. In its request EWM said that if an agreement can be reached, time and resources of all parties can more productively be utilized than would be the case if the matter were to proceed under the procedural order.

9. On January 24, 2003, the PSC issued a Notice of Commission Action on Suspension granting the requested suspension of the procedural order.

10. On February 1, 2003 EWM removed its \$.00148 per ccf rate case surcharge and is asking that that removal be formally approved in this Order.

11. On February 20, 2003, EWM submitted a stipulation between EWM and the MCC requesting final approval in rates in the amount of \$687,364, or \$87,364 above rates approved by the PSC in the Amended Interim Order 6445b. EWM stated that both parties agree this increase would be in the public interest. The parties agree that the increase would be implemented by increasing the customers charge as well as its commodity rate tariffs by 3.48 percent with each class of customer's revenue responsibility being increased proportionately on a percentage basis.

12. On March 3, 2003 due to the discovery of a flaw in its original stipulated rate methodology, EWM, with the agreement of MCC, has changed to a methodology deemed to be fairer. EWM's rate structure for traditional customers has four main charges – there is a flat monthly customer charge, a charge for distribution service levied on a CCF (100 cubic feet) basis, a commodity charge levied on a per CCF basis, and a transport charge also levied on a volume basis (CCF). Because neither the commodity or transport charges are involved in the increased distrution costs at issue in this case, no rate change is applied to these components. Under the revised rate design EWM will now increase the fixed customer charge by 3.48 percent and increase all distribution services charges by an equal percentage increase of 18.7 percent.

13. Below are two tables showing the effect of the stipulation:

Table 1: Customer Charge (per month)				
Customer Class	Before Filing	Under Stipulation	Change in dollars	Percentage Change
Residential Service				

Residential – regular	\$5.50	\$5.69	\$0.19	3.45
Residential – low income:				
RS<30% & Energy Share	3.23	3.34	0.11	3.41
RS-31%-60%	3.60	3.73	0.13	3.61
RS-61%-90%	3.97	4.11	0.14	3.53
RS-91%	4.34	4.49	0.15	3.46
<b>Non-residential Service</b>				
Small General	7.00	7.24	0.24	3.43
Large General	35.00	36.22	1.22	3.49
Extended General	500.00	517.42	17.42	3.48

Table 2: Distribution Rate (per CCF) – Traditional & Competitive Distribution			
Customer Class	Rate before filing	March Proposed Rate	Percent Increase
<b>Residential Service</b>			
Residential – regular			
First 100 CCF	.08643	0.10257	18.7%
All other	.06243	0.07409	18.7%
Residential – low income:			
RS<30% & Energy Share			
First 100 CCF	.02500	0.02967	18.7%
All other	.00000	0.00000	No change
RS-31%-60%			
First 100 CCF	.03204	0.03802	18.7%
All other	.00804	0.00954	18.7%
RS-61%-90%			
First 100 CCF	.03940	0.04676	18.7%
All other	.01540	0.01828	18.7%
RS-91%			
First 100 CCF	.04676	0.05549	18.7%
All other	.02276	0.02701	18.7%
<b>Non-residential Service</b>			
Small General			
First 100 CCF	.14556	0.17275	18.7%
All other	.11556	0.13715	18.7%
Large General			
First 100 CCF	.10802	0.12820	18.7%
All other	.09802	0.11633	18.7%

Extended General			
First 100 CCF	.08410	0.09981	18.7%
All other	.07410	0.08794	18.7%

14. EWM states that the percentage increase to a customer's bill will fluctuate within classes due to the following reasons: (1) various customers components of a class will have a different percentage increase in their annual bill due to the variance in their actual consumption as compared to the average consumption by customers in the class, (2) core customers have a commodity rate in their bill where the transportation customers do not.

15. The increase as outlined in the Final Stipulation as described above will result in the following class impacts:

Customer Class	Percent Increase	Number of Customers	Estimated Annual Bill Impact
Residential Service	3.08%	23,124	\$ 16.25
Small General Service	4.35%	1846	\$ 42.84
Medium General Service	0%	0	\$ 0
Large General Service	3.68%	697	\$ 236.85
Extended General Service	3.11%	10	\$ 2,008.66
Transportation Residential	5.60%	34	\$ 18.43
Transportation Small GS	9.14%	35	\$ 49.49
Transportation Large GS	8.81%	55	\$ 457.57
Transportation Extended GS	7.23%	9	\$ 1,891.71
Neg. Cont. Transportation	0%	20	\$ 0

### CONCLUSION OF LAW

1. EWM offers regulated gas service in the state of Montana and is a public utility under § 69-3-102, MCA.

2. The PSC properly exercises jurisdiction over EWM's rates and operations pursuant to Title 69, Chapter 3, MCA.
3. The rates herein are just and reasonable.

ORDER

1. EWM is hereby authorized to implement all final rate/revenue changes as outlined in the Stipulation Agreement, dated February 20, 2003.
2. To the extent this Order changes rates, EWM must file tariffs with the PSC in compliance with the Stipulation Agreement.
3. At the public hearing both EWR and MCC stipulated to a final order by the presiding Commissioner in lieu of a proposed order.
4. The rates which implement the Stipulated Final Order will be effective for all services rendered on and after June 1, 2003.

DONE AND DATED in open session at Helena, Montana, this 29th day of May, 2003,  
by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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BOB ROWE, Chairman

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THOMAS J. SCHNEIDER, Vice Chairman

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MATT BRAINARD, Commissioner

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GREG JERGESON, Commissioner

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JAY STOVALL, Commissioner

ATTEST:

Rhonda J. Simmons  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.